(c) if so, in what manner Government intend to do the same; and

(d) if not, the reasons therefor?

THE MINISTER OF PETROLEUM AND NATURAL GAS {SHRI RAM NAIK): (a) to {d) With the dismantling of Administered Pricing Mechanism (APM) In the petroleum sector effective 1st April 2002, the prices of petrol and diesel have been decontrolled. The Oil Marketing Companies (OMCs) are now fixing the prices of these products after taking into account the international market.

As per the existing arrangement between OMCs and domestic refineries, the former pay to the latter import parity prices for petrol and diesel, revised on fortnightly basis in line with the international oil market. OMCs, in turn, revise the domestic consumer prices of these products on fortnightly basis. During the months of October'02 and November '02, OMCs increased the prices on 1 st October '02 and 17th October '02 and reduced the prices on 16th November '02.

Post APM, the prices of petrol and diesel would be market determined and the Government does not intend to regulate the pricing of petrol and diesel except to see that oil companies do not indulge in profiteering.

Kelkar Committee Report on Direct Taxes

*112. SHRI K. RAMA MOHANA RAO:
DR. ABRAR AHMED:

Will the Minister of FINANCE AND COMPANY AFFAIRS be pleased to state:

(a) whether it is a fact that the Task Force set up under the Chairmanship of Kelkar on direct taxes has submitted its report;

(b) whether it is also a fact that Task Force has recommended increasing the tax limit from Rs. 50,000/- to Rs. 1,00,000;

(c) if so, what are the details of the other major recommendations;and

(d) the action contemplated by Government on them?

THE MINISTER OF FINANCE AND COMPANY AFFAIRS (SHRIJASWANT SINGH): (a) to (c) The Kelkar Committee on Direct Taxes has not submitted any report yet. It has presented a consultation paper on 2nd November, 2002, which has been made public for wider discussion and comments. One of the recommendations make in the consultation paper is to increase the basic exemption limit from Rs. 50,000 to Rs. 1,00,000, A statement about the proposals contained in the consultation paper is enclosed (*See* below;.

(d) The Government is examining them and shall formulate views only after full examination of the recommendations.

Statement

The major recommendations as contained in the consultation paper *inter-alia* are as under:—

(i) Certain non-core functions of the l-T Department including allotment of PAN, data entry etc. may be outsourced.

(ii) A Tax Information Network (TIN) may be created which will receive the Return of Tax Deducted at Source and other information in a digitized form on behalf of tax administrators. Through networking of Banks with TIN, payments may be received online and the designated banks may issue refunds. Challans orTDS certificates may not be required to be enclosed with the return.

(iii) Various Administrative and Financial Powers may be delegated to the Central Board of Direct Taxes.

(iv) The basic exemption limit may be increased to Rs. 1,00,000 with removal of almost all exemptions on personal taxation including (a) tax rebate under section 88 relating to investment in NSC, EPF, GPF, PPF, tax saving units of mutual funds, insurance premia paid, repayment of housing loan, infrastructure bonds etc., (b) rebates under sections 888 and 88C available to senior citizens and women, (c) Deduction under section SOL relating to dividend and interest, (d) exemption under section 10 in respect of interest income from bonds, securities, debentures etc.

(v) The deduction on interest payment on purcinase/construction of self occupied property to be reduced to NIL in three years.

(vi) Dividend income and long-term capital gain on equity may be exempted from tax.

(vii) Corporate tax rate may be reduced to 30% and Minimum Alternate Tax (MAT) may be abolished.

(viii) The depreciation in I T Act may be restricted to that charged by the Company under the provisions of Companies Act.

(ix) Various exemptions and deductions under sections, 10A, 10B, 80-1A, 80-1B, 80-JJAA may be deleted by Immediate effect and not by sunset clause.

(x) With respect of Corporate Taxation, the Task Force had given two options—Under Optioni, all the deductions and exemptions are to be removed with immediate effect while at the same time reducing Corporate tax rates, abolishing MAT and exempting dividend from taxation—Under Option II, the deductions and exemptions are to be phased out in three years and also Corporate tax rate to be reduced In a period of three years, in addition a dividend distribution tax @ 15% may be imposed which will also be phased out in three years.

(xi) For taxation of agricultural income, a *teoi* rental arrangement may be designed so that States can pass a resolution under Article 252 of the Constitution authorising the Central Government to impose Income tax (net of collection costs) may be assigned to the States. Separate tax return forms for agricultural income may be devised.

(xii) For charitable trusts, the income-based deduction under section BOG may be converted to tax rebate @ 20%.

(xiii) Exemptions under section 10(21), 10(238), 10(23C){iliab) to (via), 10(29A) relating to exemption to educational and medical ir^stitutlons etc. may be merged with sections 11 to 13 of l-T Act, which provides exemption to trust's income.

(xiv) The Wealth Tax may be abolished.

(xv) Special procedure for assessment of search cases, that is, the Block Assessment may be deleted.